

61.565 Employer's contributions -- Computation of normal cost contribution and accrued liability -- Contribution -- Notification of change in employer contribution rate -- Employers to pay full contribution. (Effective April 1, 2021)

- (1) (a) Each employer participating in the State Police Retirement System as provided for in KRS 16.505 to 16.652 and the Kentucky Employees Retirement System as provided for in KRS 61.510 to 61.705 shall contribute annually to the respective retirement system an amount determined by the actuarial valuation completed in accordance with KRS 61.670 and as specified by this section. Employer contributions for each respective retirement system shall be equal to the sum of the "normal cost contribution" and the "actuarially accrued liability contribution."
- (b) For purposes of this section, the normal cost contribution shall be computed as a percentage of pay and shall be an annual amount that is sufficient when combined with employee contributions to fund benefits earned during the year in the respective system. The amount shall be:
 1. Paid as a percentage of creditable compensation reported for each employee participating in the system and accruing benefits; and
 2. The same percentage of pay for all employees who are participating in the same retirement system, except that separate percentage rates shall be developed in each system for those employers whose employees are participating in hazardous duty retirement coverage as provided by KRS 61.592.
- (c) For purposes of this section, the actuarially accrued liability contribution shall be:
 1. Computed by amortizing the total unfunded actuarially accrued liability of each system over a closed period of thirty (30) years beginning with the 2019 actuarial valuation using the level percentage of payroll amortization method, except that any increase or decrease in the unfunded actuarially accrued liability occurring after the completion of the 2019 actuarial valuation shall be amortized over a closed period of twenty (20) years beginning with the actuarial valuation in which the increase or decrease in the unfunded actuarially accrued liability is recognized. An increase or decrease in the unfunded actuarially accrued liability may result from, but not be limited to, legislative changes to benefits, changes in actuarial methods or assumptions, or actuarial gains or losses;
 2. Paid as a percentage of payroll on the creditable compensation reported for each employee participating in the system and accruing benefits; and
 3. The same percentage of pay for all employees who are participating in the same retirement system, except that separate percentage rates shall be developed in each system for those employers whose employees are participating in hazardous duty retirement coverage as provided by KRS

61.592.

- (d) The employer contributions computed under this section shall be determined using:
 - 1. The entry age normal cost funding method;
 - 2. An asset smoothing method that smooths investment gains and losses over a five (5) year period; and
 - 3. Other funding methods and assumptions established by the board in accordance with KRS 61.670.
- (2) (a) Normal cost contribution rates and the actuarially accrued liability contribution shall be determined by the board on the basis of the annual actuarial valuation last preceding the July 1 of a new biennium.
- (b) The board may amend contribution rates as of July 1 of the second year of a biennium for the County Employees Retirement System, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy the requirements of this section.
- (c) The board shall not have the authority to amend contribution rates as of July 1 of the second year of the biennium for the Kentucky Employees Retirement System and the State Police Retirement System.
- (3) The system shall advise each employer prior to July 1 of any change in the employer contribution rate. Based on the employer contribution rate, each employer shall include in the budget sufficient funds to pay the employer contributions as determined by the board under this section.
- (4) All employers, including the General Assembly, shall pay the full actuarially required contributions, as prescribed by this section, to the Kentucky Employees Retirement System and the State Police Retirement System in fiscal years occurring on or after July 1, 2020.

Effective: April 1, 2021

History: Repealed, reenacted, and amended 2020 Ky. Acts ch. 79, sec. 22, effective April 1, 2021; and amended ch. 82, sec. 1, effective April 8, 2020. -- Amended 2018 Ky. Acts ch. 107, sec. 18, effective July 14, 2018; and ch. 170, sec. 2, effective April 14, 2018. -- Amended 2013 Ky. Acts ch. 120, sec. 53, effective July 1, 2013. -- Amended 2009 Ky. Acts ch. 65, sec. 1, effective June 25, 2009; and ch. 77, sec. 11, effective June 25, 2009. -- Amended 2008 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 15, effective June 27, 2008. -- Amended 1992 Ky. Acts ch. 240, sec. 24, effective July 14, 1992. -- Amended 1990 Ky. Acts ch. 489, sec. 2, effective July 13, 1990. -- Amended 1986 Ky. Acts ch. 176, sec. 4, effective July 15, 1986. -- Amended 1980 Ky. Acts ch. 186, sec. 25, effective July 15, 1980; and ch. 246, sec. 4, effective July 15, 1980. -- Amended 1976 Ky. Acts ch. 321, sec. 40. -- Amended 1974 Ky. Acts ch. 128, sec. 17. -- Amended 1972 Ky. Acts ch. 116, sec. 34. -- Amended 1962 Ky. Acts ch. 58, sec. 7. -- Created 1956 Ky. Acts ch. 110, sec. 12.

2020-2022 Budget Reference. See State/Executive Branch Budget, 2020 Ky. Acts ch. 92, Pt. IV, 5 at 938.

Legislative Research Commission Note (4/1/2021). This statute was amended by 2020 Ky. Acts chs. 79 and 82. Where these Acts are not in conflict, they have been codified together. Where a conflict exists, Acts ch. 82, which was last enacted by the General Assembly, prevails under KRS 446.250.

Legislative Research Commission Note (6/25/2009). 2009 Ky. Acts ch. 65, sec. 2, provides, "The provisions of subsection (6) of Section 1 of this Act [KRS 61.565(6)] shall become effective for the contribution rates paid by employers participating in the County Employees Retirement System on or after July 1, 2009."

Legislative Research Commission Note (6/27/2008). A manifest clerical or typographical error in 2008 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 15 (this statute), has been corrected in codification by the Reviser of Statutes under the authority of KRS 7.136(1)(h).

Legislative Research Commission Note (6/27/2008). 2008 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 43, provides "Notwithstanding any provision of KRS 61.565 or 61.702 to the contrary, the employer contribution rates for the County Employees Retirement Systems (sic) from July 1, 2008, through June 30, 2009, shall be 13.5 percent, consisting of 7.76 percent for pension and 5.74 percent for insurance, for nonhazardous duty employees; and 29.5 percent, consisting of 15.04 percent for pension and 14.46 percent for insurance, for hazardous duty employees."

Legislative Research Commission Note (10/19/2004). 2004 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 9, provides, "Notwithstanding KRS 61.565, the employer contribution rate for an entity participating in the Kentucky Employees Retirement System or State Police Retirement System shall be as follows:

- (1) From July 1, 2004, through June 30, 2005, the contribution rates shall be no more than 5.89 percent for nonhazardous duty employees, 18.84 percent for hazardous duty employees, and 21.58 percent for employees of the State Police Retirement System. This provision shall be retroactive to July 1, 2004; and
- (2) From July 1, 2005, through June 30, 2006, the employer contribution rate shall be no more than 5.89 percent for nonhazardous duty employees, 18.84 percent for hazardous duty employees, and 21.58 percent for employees of the State Police Retirement System."

Legislative Research Commission Note (12/13/2018). On December 13, 2018, the Kentucky Supreme Court ruled that the passage of 2018 SB 151 (2018 Ky. Acts ch. 107), did not comply with the three-readings rule of Kentucky Constitution Section 46 and that the legislation is, therefore, constitutionally invalid and declared void. That ruling applies to changes made to this statute in that Act.